

NEW BUFFALO TOWNSHIP LIBRARY  
(A Component Unit of New Buffalo Township)

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FINANCIAL REPORT

With Additional Information

December 31, 2004

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**HUTTER & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>NEW BUFFALO TOWNSHIP LIBRARY</b>	County <b>BERRIEN</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>6/6/05</b>	Date Accountant Report Submitted to State: <b>7/15/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

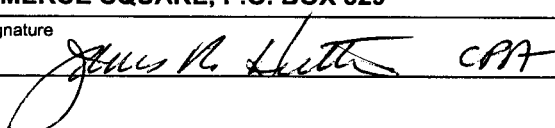
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>HUTTER &amp; ASSOCIATES, P.C.</b>			
Street Address <b>330 COMMERCE SQUARE, P.O. BOX 329</b>		City <b>MICHIGAN CITY</b>	State <b>IN</b>
Accountant Signature 		ZIP <b>46360</b>	Date <b>7/12/05</b>

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# HUTTER & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

Honorable Members of the  
New Buffalo Township Library Board  
New Buffalo Township  
Berrien County, Michigan

We have audited the accompanying basic financial statements of the New Buffalo Township Library as of December 31, 2004 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of New Buffalo Township Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of New Buffalo Township Library as of December 31, 2004 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of New Buffalo Township Library. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis (MD&A) included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of New Buffalo Township Library. We did not examine this data and, accordingly, do not express an opinion thereon.

As discussed in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Management's Discussion and Analysis (MD&A) - and Basic Financial Statements - for State and Local Governments, as of January 1, 2004.

*Hutter & Associates, P.C.*

June 6, 2005

NEW BUFFALO TOWNSHIP LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 31, 2004

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Using this Annual Report

This annual report consists of three parts - Management's Discussion and Analysis (MD&A) (this section), the Basic Financial Statements, and Required Supplemental Information. The Basic Financial Statements include information that presents two different views of the Library as follows:

- . The first two columns of the financial statements include information on the Library's General Fund and Capital Projects Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- . The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- . The government-wide financial statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

NEW BUFFALO TOWNSHIP LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

December 31, 2004

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Condensed Financial Information

As this is the first year New Buffalo Township Library is implementing GASB 34, a comparison with the previous year's financial information is not possible. Future reports will contain comparative information.

	<u>December 31,</u> <u>2004</u>
Assets:	
Current assets	\$440,720
Capital assets	<u>304,895</u>
Total assets	<u><u>\$745,615</u></u>
Liabilities:	
Current liabilities	\$ -
Net assets:	
Investment in general capital assets	304,895
Designated for capital improvements	430,128
Unrestricted	<u>10,592</u>
Total liabilities and net assets	<u><u>\$745,615</u></u>
Revenues:	
Property taxes	\$173,253
Other	<u>96,929</u>
Total revenues	270,182
Expenditures	<u>205,197</u>
Change in net assets	<u><u>\$ 64,985</u></u>

NEW BUFFALO TOWNSHIP LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

December 31, 2004

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The Library as a Whole

- . The Library's net assets increased by \$64,985 this year compared to \$65,655 in the prior year.
- . The Library's primary source of revenue is from property taxes, which represents 64.1 percent of total revenue as compared to 64.7 percent in the prior year.
- . Salaries and fringes continue to be a significant expense of the Library, representing 58.6 percent of the Library's total expenses. Salaries and fringes decreased \$642 over the prior year.
- . Total income and expenses remained constant between the prior year and current year, even with the addition of depreciation expense, and the capitalization of capital outlays.

The Library's Funds

Our analysis of the Library's major funds is included on pages 7 and 8 in the first two columns of the respective statements, which are the General Fund and the Capital Projects Fund. The Library Board has the ability to create separate funds to help manage money for specific purposes. The Library Board has set up the Capital Projects Fund to raise money for future expansion and/or construction of a new library building.

The fund balance of the General Fund increased during the current year by \$63,212. The increase was in line with the final amended budget.



NEW BUFFALO TOWNSHIP LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONCLUDED

December 31, 2004

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Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in penal fines, salaries and fringe benefits, and repairs and maintenance.

The increase in the budgeted amounts for penal fines was made to reflect the actual amount expected during the year. The amended budgeted amount was consistent with the amount received in the prior year.

The decrease in the budgeted salaries and fringe benefits was partially the result of the departure of the Assistant Director in the prior year.

The decrease in the budgeted amount for repairs and maintenance was adjusted after it was apparent that the Library was not going to incur the amount of expenses originally budgeted.

Capital Assets

At the end of the fiscal year, the Library had \$781,322 invested in land, building, furniture and equipment, and books and materials. The Library added \$31,950 in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection. The Library also purchased furniture and equipment amounting to \$15,717 during the year, which consisted of a new copier, three new computers, shelving and other miscellaneous items. The total amount of furniture, equipment, and collection materials disposed of had a cost basis of \$9,561, and a net book value of \$9,033. The Library sold a copier to the Three Oaks Library during the year for \$1,750.

NEW BUFFALO TOWNSHIP LIBRARY  
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET ASSETS  
as of December 31, 2004

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	Governmental Funds Balance Sheet Modified Accrual Basis		
	General Fund	Capital Projects Fund	Total
Assets:			
Cash and cash equivalents	\$10,592	\$430,128	\$440,720
Capital assets, net of depreciation	-	-	-
Total assets	<u>\$10,592</u>	<u>\$430,128</u>	<u>\$440,720</u>
Fund balances / net assets:			
Fund balances - unreserved:			
Designated for capital improvements	\$ -	\$430,128	\$430,128
Undesignated	<u>10,592</u>	<u>-</u>	<u>10,592</u>
Total fund balances	<u>\$10,592</u>	<u>\$430,128</u>	<u>\$440,720</u>
Net assets:			
Investment in capital assets			
Restricted for capital outlay			
Unrestricted			
Total net assets			

See accompanying notes to financial statements.

<u>GASB 34 Adjustments (Note 8)</u>	<u>Statement of Net Assets Full Accrual</u>
\$ -	\$440,720
<u>304,895</u>	<u>304,895</u>
<u>\$ 304,895</u>	<u>\$745,615</u>
 \$(430,128)	 \$ -
<u>(10,592)</u>	<u>-</u>
(440,720)	-
 304,895	 304,895
430,128	430,128
<u>10,592</u>	<u>10,592</u>
<u>\$ 304,895</u>	<u>\$745,615</u>

NEW BUFFALO TOWNSHIP LIBRARY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES / STATEMENT OF ACTIVITIES

for the year ended December 31, 2004

	General Fund	Capital Projects Fund	Total
Revenues:			
Property taxes	\$173,253	\$ -	\$173,253
State aid	5,678	-	5,678
Penal fines	65,097	-	65,097
Interest on investments	1,102	5,891	6,993
Book sales	2,214	-	2,214
Contributions and donations	-	4,303	4,303
Library fines and fees	7,584	-	7,584
Other miscellaneous	2,120	2,940	5,060
Total revenues	257,048	13,134	270,182
Expenditures:			
Salaries and fringe benefits	120,157	-	120,157
Supplies	8,757	-	8,757
Library books and materials	31,950	-	31,950
Professional and contractual services	4,781	-	4,781
Conferences, workshops, and travel	750	-	750
Insurance and bonds	7,857	-	7,857
Utilities	6,437	-	6,437
Repairs and maintenance	5,578	-	5,578
Capital outlay	15,718	-	15,718
Depreciation	-	-	-
Miscellaneous	4,985	-	4,985
Total expenditures	206,970	-	206,970
Excess of revenues over expenditures / change in net assets	50,078	13,134	63,212
Operating transfers in (out)	(52,000)	52,000	-
Fund balances / net assets:			
Beginning of year	12,514	364,994	377,508
End of year	\$ 10,592	\$430,128	\$440,720

See accompanying notes to financial statements.

<u>GASB 34 Adjustments (Note 8)</u>	<u>Statement of Activities</u>
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\$ -	\$173,253
-	5,678
-	65,097
-	6,993
-	2,214
-	4,303
-	7,584
-	5,060
-	270,182
-	120,157
-	8,757
(31,950)	-
-	4,781
-	750
-	7,857
-	6,437
-	5,578
(15,718)	-
45,895	45,895
-	4,985
(1,773)	205,197
1,773	64,985
-	-
303,122	680,630
<u>\$304,895</u>	<u>\$745,615</u>

NEW BUFFALO TOWNSHIP LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

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Note 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of New Buffalo Township Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies.

Effective January 1, 2004, the New Buffalo Township Library implemented the provisions of GASB issued Statement No. 34, Management's Discussion and Analysis (MD&A) - and Basic Financial Statements - for State and Local Governments. Significant changes in the Statement include the following:

- . A management's discussion and analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- . Basic financial statements prepared using full accrual accounting for all of the Library's activities.
- . A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

REPORTING ENTITY:

The New Buffalo Township Library was established under P.A. 164 of 1877, as amended. The Library is governed by a Board elected by public ballot from the Township Electorate. The Library is primarily funded through a tax levy, fines and fees, and charitable donations. Revenue is used to operate and staff the Library.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

NEW BUFFALO TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2004

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Note 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

BASIS OF PRESENTATION:

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) and Fund Financial Statements. The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The Governmental Funds Balance Sheet / Statement of Net Assets and Statement of Revenues, Expenditures and Changes in Fund Balances / Statement of Activities combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations.

The Operating Fund is the only major individual governmental fund. For fund financial statements, the accounts of the Library are organized on the basis of funds each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise each fund's assets, liabilities, fund balances, revenues and expenditures. The following is a description of the funds included in the accompanying basic financial statements.

Operating Fund - The Operating Fund accounts for revenues and expenditures of the Library not required to be accounted for in other funds.

Capital Projects Fund - The Capital Projects Fund accounts for the financial resources to be used for the acquisition of major capital expenditures.

NEW BUFFALO TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2004

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Note 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

BASIS OF ACCOUNTING:

The government-wide statements (the Statement of Net Assets and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial statements (the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances) are prepared using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

BUDGETS AND BUDGETARY ACCOUNTING:

The Library Board annually adopts a budget for each of its funds. The budget is adopted on the basis of accounting described above. Budgeted amounts are as originally adopted or amended by the Board.

CASH AND CASH EQUIVALENTS:

The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

CAPITAL ASSETS:

Capital assets are defined by the Library as assets with an initial cost of more than \$600 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	20-50 years
Furniture and equipment	5-10 years
Improvements	10-20 years
Library books and materials	3-10 years



NEW BUFFALO TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2004

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Note 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES (VACATION AND SICK LEAVE):

The Library does not allow employees to accumulate vacation time, but rather, will pay out any remaining time at the end of each year. The policy for sick pay is dependent on the employment contract set up for each position. Sick pay can be accumulated depending upon the position held. The Library's Employee Policies and Procedures Manual is the formal authority on vacation and sick pay. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library.

FUND EQUITY:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change.

NEW BUFFALO TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2004

Note 2. DEPOSITS AND INVESTMENTS.

Deposits are carried at cost. The Governmental Funds Balance Sheet / Statement of Net assets line item, "cash and cash equivalents" consists of cash on hand; cash, checking, savings, and certificates of deposit located at three Michigan banks, as follows:

Deposits	Cash on Hand	Financial Institution			Total
		Fifth Third Bank	New Buffalo Savings Bank	Alliance Banking Company	
Cash on hand	\$250	\$ -	\$ -	\$ -	\$ 250
Cash, checking	-	-	62,439	2,817	65,256
Savings	-	100,522	110,296	4,974	215,792
Certificates of deposit	-	-	42,315	117,107	159,422
	<u>\$250</u>	<u>\$100,522</u>	<u>\$215,050</u>	<u>\$124,898</u>	<u>\$440,720</u>

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits is as follows:

	Insured	Uninsured	Total
Fifth Third Bank	\$100,000	\$ 522	\$100,522
New Buffalo Savings Bank	162,439	52,611	215,050
Alliance Banking Company	102,817	22,081	124,898
	<u>\$365,256</u>	<u>\$ 75,214</u>	<u>\$440,470</u>

NEW BUFFALO TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2004

Note 3. GENERAL FIXED ASSETS.

A summary of changes in general fixed assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Other capital assets:				
Building	208,814	-	-	208,814
Furniture and equipment	164,833	15,717	9,561	170,989
Library books and materials	<u>364,569</u>	<u>31,950</u>	<u>-</u>	<u>396,519</u>
Total	743,216	47,667	9,561	781,322
Less, accumulated depreciation	<u>431,061</u>	<u>45,894</u>	<u>528</u>	<u>476,427</u>
Net book value	<u><u>\$312,155</u></u>	<u><u>\$ 1,773</u></u>	<u><u>\$9,033</u></u>	<u><u>\$304,895</u></u>

Note 4. CONCENTRATIONS OF CREDIT RISK.

Financial instruments that potentially subject New Buffalo Township Library to concentrations of credit risk consist principally of temporary cash investments that exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC).

New Buffalo Township Library maintains its cash balances and interest-bearing deposits in three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 in the aggregate for all time and savings deposits; and up to \$100,000 in the aggregate for all demand deposits. The General Fund and Building Fund have separate insurance amounts.

NEW BUFFALO TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2004

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Note 5. COMMITMENTS AND CONTINGENCIES.

The New Buffalo Township Library receives a substantial amount of its support from local property tax revenues and state revenue-sharing and grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's operations.

Note 6. PENSION PLAN.

During 1997, the Library implemented a SIMPLE IRA pension plan for all eligible employees. Employees are eligible to participate in the plan if they received at least \$5,000 in compensation during the previous two years. Employees may defer up to \$9,000 of their gross salary into the plan. The Library will match the contribution up to 3% of the employee's salary. The Library's contribution to the plan for the year ended December 31, 2004 was \$2,022.

Note 7. RISK MANAGEMENT.

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for general liability and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NEW BUFFALO TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS, CONCLUDED

December 31, 2004

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Note 8. ADJUSTMENTS.

Amounts reported in the Statement of Net Assets are different from the Governmental Funds Balance Sheet due to the following adjustment:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Net capital assets	<u>\$304,895</u>
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Amounts reported for governmental activities on the Statement of Activities are different from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances as follows:

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year:

Capital outlay	\$ 47,668
Depreciation	<u>(45,895)</u>
Net adjustment	<u>\$ 1,773</u>

REQUIRED SUPPLEMENTAL INFORMATION

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NEW BUFFALO TOWNSHIP LIBRARY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

for the year ended December 31, 2004

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$173,877	\$172,976	\$173,253	\$ 277
State aid	5,675	5,678	5,678	-
Penal fines	58,000	65,097	65,097	-
Interest on investments	7,011	6,961	6,993	32
Book sales	1,250	1,760	2,214	454
Contributions and donations	4,303	4,303	4,303	-
Library fines and fees	6,800	7,186	7,584	398
Other miscellaneous	3,440	7,263	5,060	(2,203)
Total revenues	<u>260,356</u>	<u>271,224</u>	<u>270,182</u>	<u>(1,042)</u>
Expenditures:				
Salaries and fringe benefits	126,700	118,700	120,157	(1,457)
Supplies	9,200	7,855	8,757	(902)
Library books and materials	31,500	32,582	31,950	632
Professional and contractual services	4,000	4,706	4,781	(75)
Conferences, workshops, and travel	2,700	725	750	(25)
Insurance and bonds	7,000	7,857	7,857	-
Utilities	7,200	6,400	6,437	(37)
Repairs and maintenance	10,000	5,700	5,578	122
Capital outlay	15,000	16,600	15,718	882
Miscellaneous	5,007	4,534	4,985	(451)
Total expenditures	<u>218,307</u>	<u>205,659</u>	<u>206,970</u>	<u>(1,311)</u>
Excess of revenues over expenditures	42,049	65,565	63,212	(2,353)
Fund balance, beginning of year	<u>753,791</u>	<u>753,791</u>	<u>753,791</u>	-
Fund balance, end of year	<u>\$795,840</u>	<u>\$819,356</u>	<u>\$817,003</u>	<u>\$(2,353)</u>

# HUTTER & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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June 6, 2005

Honorable Members of the  
New Buffalo Township Library Board  
New Buffalo Township  
Berrien County, Michigan

We have audited the general purpose financial statements of New Buffalo Township Library for the year ended December 31, 2004, and have issued our report thereon dated June 6, 2005. As part of our audit, we made a study and evaluation of the Library's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditors in planning and performing their audit on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.



Our audit of the general purpose financial statements made in accordance with generally accepted auditing standards, including the study and evaluation of the Library's system of internal accounting control for the year ended December 31, 2004, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The conditions discussed in this report were considered in determining the nature, timing, and extent of audit tests to be performed in the audit of the Library's general purpose financial statements, and this report of such conditions does not modify our report dated June 6, 2005.

We have made no recommendations regarding the Library's system of internal control, as it appears adequate.

Very truly yours,

A handwritten signature in cursive script that reads "Hutter & Associates, P.C.".

Hutter & Associates, P.C.